

HELPING HOUNDS DOG RESCUE, INC.

FINANCIAL STATEMENTS

December 31, 2021 and 2020



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Helping Hounds Dog Rescue, Inc.
North Syracuse, New York

Opinion

We have audited the financial statements of Helping Hounds Dog Rescue, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Helping Hounds Dog Rescue, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Helping Hounds Dog Rescue, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Helping Hounds Dog Rescue, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Helping Hounds Dog Rescue, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Helping Hounds Dog Rescue, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grossman St Amour CPAs

Syracuse, New York

June 20, 2022

HELPING HOUNDS DOG RESCUE, INC.

Statements of Financial Position

December 31, 2021 and 2020

	December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 684,126	\$ 486,951
Accounts receivable	24,084	-
Prepaid expenses	4,118	3,591
Total current assets	<u>712,328</u>	<u>490,542</u>
Non-current assets:		
Funds held outside the Organization	18,052	15,619
Property, net	1,920,829	1,958,221
Total non-current assets	<u>1,938,881</u>	<u>1,973,840</u>
Total assets	<u>\$ 2,651,209</u>	<u>\$ 2,464,382</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 43,818	\$ 22,495
Accrued liabilities	4,573	2,871
Note payable, net of deferred financing costs, current portion	46,731	26,326
Total current liabilities	<u>95,122</u>	<u>51,692</u>
Long-term liabilities:		
Note payable, net of deferred financing costs, net of current portion	512,150	576,133
Total long-term liabilities	<u>512,150</u>	<u>576,133</u>
Total liabilities	<u>607,272</u>	<u>627,825</u>
Net assets:		
Without donor restrictions	1,964,377	1,764,690
With donor restrictions	79,560	71,867
Total net assets	<u>2,043,937</u>	<u>1,836,557</u>
Total liabilities and net assets	<u>\$ 2,651,209</u>	<u>\$ 2,464,382</u>

The accompanying notes are an integral part of the financial statements

HELPING HOUNDS DOG RESCUE, INC.

Statement of Activities

For the Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Revenue			
Adoption fees	\$ 563,730	\$ -	\$ 563,730
Merchandise sales	7,703	-	7,703
Grant income	24,084	-	24,084
Miscellaneous revenue	3,297	-	3,297
Total revenues	598,814	-	598,814
Support			
Donations	436,956	-	436,956
Fundraising events	40,713	12,563	53,276
Paycheck Protection Program loan forgiveness	58,897	-	58,897
Net assets released from restriction	4,870	(4,870)	-
Total support	541,436	7,693	549,129
Total revenue and support	1,140,250	7,693	1,147,943
Expenses:			
Program services	764,951	-	764,951
Management and general	143,372	-	143,372
Fundraising	32,240	-	32,240
Total expenses	940,563	-	940,563
Change in net assets	199,687	7,693	207,380
Net assets at beginning of year	1,764,690	71,867	1,836,557
Net assets at end of year	<u>\$ 1,964,377</u>	<u>\$ 79,560</u>	<u>\$ 2,043,937</u>

The accompanying notes are an integral part of the financial statements

HELPING HOUNDS DOG RESCUE, INC.

Statement of Activities

For the Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Revenue			
Adoption fees	\$ 514,217	\$ -	\$ 514,217
Merchandise sales	6,121	-	6,121
Miscellaneous revenue	1,652	-	1,652
Total revenues	521,990	-	521,990
Support			
Donations	423,167	-	423,167
Fundraising events	53,576	71,867	125,443
Paycheck Protection Program loan forgiveness	58,897	-	58,897
Net assets released from restriction	564,592	(564,592)	-
Total support	1,100,232	(492,725)	607,507
Total revenue and support	1,622,222	(492,725)	1,129,497
Expenses:			
Program services	629,953	-	629,953
Management and general	113,575	-	113,575
Fundraising	36,701	-	36,701
Total expenses	780,229	-	780,229
Change in net assets	841,993	(492,725)	349,268
Net assets at beginning of year	922,697	564,592	1,487,289
Net assets at end of year	\$ 1,764,690	\$ 71,867	\$ 1,836,557

The accompanying notes are an integral part of the financial statements

HELPING HOUNDS DOG RESCUE, INC.

Statements of Functional Expenses

Years ended December 31, 2021 and 2020

	For the Year Ended December 31, 2021				For the Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 254,482	\$ 24,236	\$ 24,236	\$ 302,954	\$ 238,039	\$ 22,397	\$ 22,397	\$ 282,833
Payroll taxes	21,735	1,482	1,482	24,699	18,812	1,531	1,531	21,874
Boarding and transport of dogs	296,307	-	-	296,307	215,659	-	-	215,659
Veterinary care	108,615	-	-	108,615	76,897	-	-	76,897
Merchandise	6,633	-	-	6,633	3,326	-	-	3,326
Fundraising expenses	-	-	6,522	6,522	-	-	12,773	12,773
Interest expense	12,923	12,924	-	25,847	25,661	-	-	25,661
Insurance	-	16,678	-	16,678	-	12,743	-	12,743
Rent	-	-	-	-	425	425	-	850
Repairs and maintenance	-	11,962	-	11,962	-	2,372	-	2,372
Utilities	10,825	10,826	-	21,651	9,450	9,450	-	18,900
Professional services	-	16,653	-	16,653	-	15,879	-	15,879
Depreciation	25,009	25,009	-	50,018	22,604	22,605	-	45,209
Office expense	-	23,602	-	23,602	-	26,173	-	26,173
Miscellaneous	28,422	-	-	28,422	19,080	-	-	19,080
	<u>\$ 764,951</u>	<u>\$ 143,372</u>	<u>\$ 32,240</u>	<u>\$ 940,563</u>	<u>\$ 629,953</u>	<u>\$ 113,575</u>	<u>\$ 36,701</u>	<u>\$ 780,229</u>

The accompanying notes are an integral part of the financial statements

HELPING HOUNDS DOG RESCUE, INC.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 207,380	\$ 349,268
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	50,018	45,209
Deferred financing cost interest expense	1,363	-
Unrealized/realized gain on funds held outside the Organization	(2,433)	(1,652)
Changes in operating assets and liabilities:		
Prepaid expenses	(527)	(3,591)
Accounts payable	21,323	3,327
Accrued liabilities	1,702	2,871
Accounts receivable	(24,084)	-
Net cash provided by operating activities	<u>254,742</u>	<u>395,432</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(12,626)</u>	<u>(558,196)</u>
Net cash used in investing activities	<u>(12,626)</u>	<u>(558,196)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	369,009
Payments on note payable	<u>(44,941)</u>	<u>(103,354)</u>
Net cash provided by (used in) financing activities	<u>(44,941)</u>	<u>265,655</u>
Net increase in cash and cash equivalents	197,175	102,891
Cash and cash equivalents at beginning of year	<u>486,951</u>	<u>384,060</u>
Cash and cash equivalents at end of year	<u><u>\$ 684,126</u></u>	<u><u>\$ 486,951</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u><u>\$ 24,484</u></u>	<u><u>\$ 25,661</u></u>

The accompanying notes are an integral part of the financial statements

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

Helping Hounds Dog Rescue, Inc. (the Organization), is a not-for-profit organization, whose primary purpose is to take unwanted, abused, stray, or homeless dogs and provide them with emotional, medical, behavioral, and physical support so that they can be adopted into loving “forever” homes. The Organization is supported primarily through adoption fees collected and contributions from the general public.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

Availability of Resources

The Organization's financial assets available within one year of the balance sheet date for general expenditure include cash and cash equivalents and accounts receivable of approximately \$708,200 and \$487,000 as of December 31, 2021 and 2020, respectively. Of these amounts approximately \$79,600 and \$71,900, respectively, have donor imposed restrictions at December 31, 2021 and 2020.

Methods Used for Allocation of Expenses between Program and Supporting Services

The financial statements present expenses by function and natural classification. The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs benefited, based on management's estimates of time spent or benefits received. Costs specifically identified to program services are charged directly to program. Routine management and general items such as professional fees, insurance, office expense, and maintenance are directly applied to management and general.

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Organization have been classified as without donor restriction or with donor restriction based on the existence and/or nature of any donor imposed restrictions. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restriction. At December 31, 2021 and 2020, approximately \$79,600 and \$71,900, respectively, were recorded as net assets with donor restriction relating to the Organization's capital campaign.

Income Taxes

Helping Hounds Dog Rescue, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization complies with FASB ASC 740, Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold including the entity's continued exemption from income taxes as a not-for-profit organization. This applies to positions taken or expected to be taken in a tax return.

The Organization believes its financial statements do not include any uncertain tax positions. It is the Organization's policy to recognize any interest and penalties in operating expenses, if applicable. The Organization's information tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Funds Held Outside the Organization

The Helping Hounds Dog Rescue Fund (the Fund) was established through a gift from the Organization to the Central New York Community Foundation (the Foundation). In accordance with the gift agreement, the Organization will receive at least annual distributions of income from the Fund as determined by the Foundation's annual spending policy. If the need arose, the Organization could also request up to 100% of the Fund be distributed. These distributions are planned to continue at the Foundation Board's discretion and as long as the Organization remains a 501(c)(3) organization. The Fund held approximately \$18,100 and \$15,600, respectively, at December 31, 2021 and 2020. The assets are recorded in the assets and liabilities of the Foundation and are reflected in the Organization's accompanying statement of financial position as an asset.

Cash and Cash Equivalents

The Organization considers all short-term investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are held at various banking institutions and insured up to the Federal Deposit Insurance Corporation (FDIC) limits.

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Property

Property is recorded at cost and primarily will be depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for property ranges from 5-39 years. Property consist of costs associated with the acquisition and renovation of a new shelter facility. The new facility was completed and the Organization began to occupy the new space in February 2020.

Revenue Recognition and Accounts Receivable

Accounts receivable are comprised of approximately \$24,000 of Employee Retention Credit funds. See Note 4 for more information. The Organization received the credit in full in February 2022; therefore, management has determined no allowance for doubtful accounts is necessary at December 31, 2021. The Organization had no accounts receivable at December 31, 2020.

The Organization follows the requirements of FASB ASU 2014-09, Revenue from Contracts with Customers which requires the recognition of revenue related to the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

The Organization's significant sources of revenue are as follows:

Adoption fees are recorded when the adoption takes place and the customer takes possession of the adopted animal. The transaction price is based upon published rates, which vary based on the type of animal.

Donations are recorded as net assets with or without donor restriction based on the existence or absence of donor restrictions. When a donor restriction expires, that is, when a stipulate time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

Fundraising revenues are recognized at the time the event takes place.

Risks and Uncertainties

Economic conditions in Central New York affect the amount of fundraising and contributions. The Organization has cash on deposit at a local banking institution, which at various times during the year may exceed the Federal Deposit Insurance Corporation (FDIC) limit.

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The spread of this virus globally has caused business disruption domestically in the United States, the area in which the Organization operates. As discussed in Note 4, the Organization secured two Payroll Protection Program (PPP) loans to help mitigate the financial impact of the pandemic and received forgiveness for both PPP loans in 2021 and 2020. The Organization also applied for and received an Employee Retention Credit of approximately \$24,000 to cover costs of maintaining employees during the pandemic.

Donated Services and Materials

During 2021 and 2020, various goods and services were donated for fund-raising activities and support services. A substantial number of volunteers donate their time to assist the Organization in its programs and fundraising activities. No amounts have been reflected in the accompanying statements for these donated services, as no objective basis is available to measure the value of such goods or services.

Subsequent Events

The Organization has evaluated subsequent events through June 20, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. Note Payable

In May 2019, the Organization obtained financing for renovations of a new shelter facility through a financial institution. The total financing amount available was \$950,000. The Organization could request advances through the construction maturity date of November 1, 2020. Any advances bear interest at the prime rate. At the date of maturity, the Organization had drawn \$625,825.

On November 1, 2020, any advances outstanding were converted into a note payable. The note payable will be paid in monthly installments through November 1, 2040. The interest rate will be the weekly average yield on United States Treasury obligations plus 225 basis points and then subsequently remeasured every five years. The interest rate has a floor of 4.00%. The note payable agreement allows for one additional principal down payment after conversion with no penalties. The note payable requires the Organization to maintain certain financial statement ratios.

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

2. Note Payable (continued)

The note payable is summarized as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Note payable	\$ 580,884	\$ 625,825
Less: deferred financing costs, net	(22,003)	(23,366)
Less: current portion	<u>(46,731)</u>	<u>(26,326)</u>
Note payable, net	<u>\$ 512,150</u>	<u>\$ 576,133</u>

Note maturities at December 31 are as follows:

2022	\$ 46,731
2023	48,662
2024	50,618
2025	52,764
2026	54,944
2027 and thereafter	<u>327,165</u>
	\$ 580,884
Less current portion	(46,731)
Less deferred financing costs	<u>(22,003)</u>
	<u>\$ 512,150</u>

The Organization follows the requirements of ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, to present debt issuance costs as a reduction of the carrying amount of debt rather than as an asset. Amortization of the debt issuance costs began in 2021 and approximated \$1,400, and are reported as interest expense in statements of functional expenses.

3. Property

Major classes of property at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Building and Improvements	\$ 1,936,056	\$ 1,923,430
Land	<u>80,000</u>	<u>80,000</u>
	2,016,056	2,003,430
Accumulated depreciation	<u>(95,227)</u>	<u>(45,209)</u>
	<u>\$ 1,920,829</u>	<u>\$ 1,958,221</u>

Depreciation expense approximated \$50,000 and \$45,200, respectively, for the years ended December 31, 2021 and 2020.

HELPING HOUNDS DOG RESCUE, INC.

Notes to Financial Statements

4. Paycheck Protection Program Loan Payable and Employee Retention Credit

On April 16, 2020, the Organization was granted a loan from Community Bank of \$58,897 through the Small Business Association, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan matures on April 16, 2022 and bears interest at a rate of 1%, payable monthly commencing seven months from the date of first disbursement of the loan.

Under the terms of the PPP, the loan balance can be fully or partially forgiven based on the use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the bank in accordance with the requirements of the PPP. The Organization received notification from Community Bank on June 16, 2021 that the SBA has approved its application for loan forgiveness in full. As such, the balance of \$58,897 has been recognized as revenue within the statement of activities for the year ended December 31, 2020.

On February 2, 2021, the Organization applied for and was awarded approximately \$58,897 through the Small Business Association (SBA), pursuant to the PPP Second Draw Loan under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Organization received notification from Community Bank on November 17, 2021 that the SBA has approved its application for loan forgiveness in full. As such, the balance of \$58,897 has been recognized as revenue within the statement of activities for the year ended December 31, 2021.

In July 2021, the Organization applied for the Employee Retention Credit (ERC) through the Internal Revenue Service (IRS) pursuant to the Infrastructure Investment and Jobs Act, enacted November 15, 2021. The ERC is a refundable tax credit on qualified wages paid to employees by an eligible employer enacted to encourage businesses to keep employees on payroll during the COVID-19 pandemic. In July 2021, the Organization amended 2020 quarterly 941 payroll tax filings to apply for the refundable credit, which was calculated on 50% of up to \$10,000 in wages paid by an eligible employer whose business was financially impacted by COVID-19. The Organization applied for a credit of approximately \$24,000, and it was received in full in February 2022. The credit is recognized as grant income in the statement of activities for the year ended December 31, 2021.